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*AM is part of your world. And the world of business. Worldwide.*



**Y**our world. The business world. Around the world AM's role in both is growing!

The words you are reading and billions of others are set in type daily, in dozens of languages, on AM typesetting equipment. A major share of the expanding body of multi-copy business communication is produced on AM duplicators and copiers.

The credit cards you carry and the data recorders that "capture" your credit card transactions are likely to be from AM. Much of your mail is addressed with AM repetitive writing equipment.

Engineers, working to build a better world, use drawings prepared with AM drafting tools and reproduced on AM engineering copiers. AM micrographic equipment is helping meet the challenges of efficient information storage and retrieval.

Retailing establishments offering a variety of consumer products and services are enhancing their operations with transaction processing terminals from AM.

In fact, the uses for AM equipment are as varied as man's needs to communicate and as boundless as his imagination.

At the Spokane World's Fair, U.S. Pavilion schedules are published daily on AM duplicators while, in New York, the world's largest stock brokerage uses AM equipment to speed stock market reports to a network of customer representatives.

Visually handicapped children in Parma (Ohio) schools have reading materials specially enlarged on an AM master imager and pilots for Belgium's Sabena Airlines use AM copiers to share their flight logs with maintenance and service crews.

Youngsters at Boys Town set type for their own newspaper on AM photocomposition equipment while inmates at the Arkansas State Prison are taught graphics equipment operation and service on AM machines in an unusual rehabilitation program designed in part by AM advisors.

A Swiss bank uses AM embossed cards and data recorders to improve accuracy of customers' deposits and withdrawals. A Texas community relies on AM micrographics equipment to provide emergency data to its fire department. And in his remote Montana home, artist Forrest Hill uses an AM duplicator to produce signed and numbered copies of his popular "Old West" etchings.

It all happens because AM's 23,300 employees worldwide believe in themselves, in the products they make, sell and service, and in the future of AM.

Addressograph Multigraph... worldwide... with a wide world of involvement.

# Financial Highlights

FOR THE YEAR ENDED JULY 31	1974	1973
Net sales, service billings and machine rentals	\$540,833,000	\$489,849,000
Income before income taxes and extraordinary credits	\$ 2,604,000	\$ 5,424,000
Provision for federal and foreign income taxes	<u>2,296,000</u>	<u>2,195,000</u>
Income before extraordinary credits	\$ 308,000	\$ 3,229,000
Extraordinary credits (net of applicable income taxes)	-	1,214,000
Net income	<u><u>\$ 308,000</u></u>	<u><u>\$ 4,443,000</u></u>
Income per share of common stock		
Income before extraordinary credits	\$ .04	\$ .40
Extraordinary credits	-	.15
Net income	<u><u>\$ .04</u></u>	<u><u>\$ .55</u></u>
Dividends paid	\$ 3,617,000	\$ 4,823,000
Dividends paid per share of common stock	\$ .45	\$ .60

## SHAREHOLDERS' MEETING

The annual meeting of shareholders of the corporation will be held at the Somerset Inn, 3550 Northfield Road, Shaker Heights, Ohio, on Thursday, November 7, 1974 at 10:00 a.m.

The notice, proxy statement and proxy for the meeting will be mailed early in October:

Form 10-K as filed with the Securities and Exchange Commission may be obtained by writing to the company, attention Investor Relations Dept., 20600 Chagrin Boulevard, Cleveland, Ohio 44122.

ADDRESSOGRAPH MULTIGRAPH AND SUBSIDIARY COMPANIES

# To Our Shareholders

The sum of the problems facing AM today is readily apparent in the fiscal 1974 results. Worldwide revenues were the highest in company history (\$540.8 million), while net income was only \$308,000 or 4 cents per share.

By comparison, revenues in fiscal 1973 were \$489.8 million, producing a net income of \$4.4 million, or 55 cents per share, after provision for domestic accounts receivable and inventory adjustments amounting to \$20.2 million (pre-tax) or \$1.57 per share.

Fiscal 1975 will be no less challenging but it can be more rewarding, both fiscally and operationally. The difficulties facing AM did not disappear with the closing of the books at year end but certain of them are easing and our ability to measure and respond is sharpened.

Beyond poor earnings, the special disappointment of fiscal 1974 for shareholders and management alike was the necessary decision in June to suspend payment of the quarterly dividend. For two successive quarters, earnings had been insufficient to "cover" the dividend and, while the effect it would have on our shareholders weighed heavily, the Directors unanimously felt their decision was not only prudent but in the best long-term interests of the company and its shareholders. The dividend policy will be reviewed regularly and our objective is to resume payment of dividends when

earnings, cash requirements and overall financial conditions warrant.

## '74 Challenges

We began fiscal 1974 aware that we would be facing numerous deep-rooted problems. In November, however, these problems began to accelerate. The energy crisis and the onset of leaping inflation made a special impact on AM.

Shortages stretched work-in-process times, slowing deliveries and revenues, increasing manufacturing costs and inventories, and compounding marketing problems.

Already pinched margins were squeezed even more as cost increases outpaced price adjustments.

Overseas, our International Division experienced a number of costly



operating problems in Great Britain, Germany and Latin America. Great Britain's austerity program and the mid-winter coal strike—which resulted in five weeks of reduced production at Hemel Hempstead, our largest overseas plant—had an especially severe effect and full recovery has not yet been achieved.

General economic conditions worldwide brought new highs in interest rates at the very time our need for borrowed capital also reached an all-time high.

We were striving for aggressive growth when the "price" of growth suddenly became (and remains) steep for anyone, but excessive for AM in view of the company's reduced profits.

The structuring of product divisions aligned to markets was completed in fiscal 1973 but the interorganizational relationships needed for quick response to economic change were still emerging.

#### **Strengths for the Future**

In difficult times, the magnifying glass of press coverage and investor scrutiny tends to focus on negatives and weaknesses. It is easy to conclude there are no compensating strengths. At AM, nothing could be farther from the truth.

The company's skills in marketing and field service remain unsurpassed. The very large, high quality customer base is intact.

AM's worldwide workforce of some 23,300 is stable, dedicated, and increasingly productive.

The mechanisms of effective fiscal control—so long lacking—are coming into place.

The mix of new and traditional products serving both new and traditional markets is well-balanced, providing a solid base for the future. In fiscal '74, a significant contribution to total revenue was made by the more than 30 products introduced in the past three years.

More realistic pricing was established during the second half of fiscal '74 and there now exists a greatly improved ability to maintain a timely equation between prices and costs.

An equitable three-year labor contract was negotiated peacefully at the company's largest manufacturing plant in Cleveland—historically plagued by work stoppages—signaling a new era of constructive labor-management relations.

A unity of purpose and philosophy is developing within management at all levels, permitting the skills of problem solving to be effectively focused on AM's special needs.

#### **A Corporate Strategy**

AM entered the new fiscal year with a firm and realistic course charted to improve and refine operations. Reducing cash needs and increasing earnings have top priority.

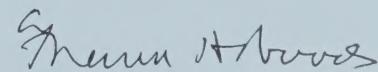
We will continue to provide products and services that meet market needs for the preparation, reproduction, communication, storage and retrieval of information. The company will sustain modest, balanced growth in these markets. However, AM today is not growth oriented in the usual sense of the word. The price of rapid

growth, including the cost of growth capital, is unjustified. Instead, we are concentrating on improved financial performance, with particular emphasis on product profitability.

Research and development priorities which both respond to today's market needs and anticipate tomorrow's requirements have been established. These revised priorities will permit AM to adequately maintain its quest for sound future products and technologies while benefiting from a moderate reduction in current-year R&D expenditures.

Taking care to maintain a meaningful balance between current problem solving and longer term needs, stringent cost reduction programs have been initiated and will continue.

These are difficult times for any corporation and, in fact, for the world economy. They are especially difficult for AM. Nonetheless, man's world holds a place for AM—now and in the future—and management remains convinced that the resources and basic strengths exist to permit AM to serve its role with economically sound results.



Frank H. Woods  
Chairman



Charles L. Davis  
President

September 17, 1974

# Report of Operations

## AM PRODUCTS...FROM MANUFACTURE TO CUSTOMER...WORLDWIDE

### PRODUCTS

#### DUPLICATORS

Sales: 1974 - \$181.8 million  
1973 - \$161.9 million

#### ENGINEERING GRAPHICS

Sales: 1974 - \$87.7 million  
1973 - \$74.1 million

#### COPIERS

Sales: 1974 - \$60.0 million  
1973 - \$53.9 million

#### REPETITIVE WRITING

Sales: 1974 - \$38.1 million  
1973 - \$35.8 million

#### COMPOSITION

Sales: 1974 - \$34.2 million  
1973 - \$32.7 million

#### TRANSACTION PROCESSING

Sales: 1974 - \$31.6 million  
1973 - \$33.0 million

#### MICROGRAPHICS

Sales: 1974 - \$7.7 million  
1973 - \$5.0 million

#### SERVICES

Sales: 1974 - \$90.2 million  
1973 - \$85.8 million

#### SUPPLIES

Sales: 1974 - \$9.5 million  
1973 - \$7.6 million

AM's growing family of duplicators represents leadership with the most widely used method of copy reproduction—offset lithography. Key products include the AM 212 and AM 220 table-top models; the mid-line AM 1250 and AM 1850 models; and the automated AM 2850 and just announced AM 2875 serving the high speed/volume market. The AM 1520 and AM 1550 fill large-sheet needs while Total Copy Systems offer plain paper copy duplicating. Principal supplies include masters, inks and paper.

A full line of graphics and reprographics equipment generally identified with the engineering and drafting fields includes proprietary pressure diazo engineering copiers, high-volume white-printers, and drafting machines and furniture. Major supply items include paper and chemicals for machine products and many drafting accessories and supplies.

The business need for quick, convenient office copying is served by AM through both coated-paper and plain-paper copiers. Primary products include the AM 5000 and AM 6000 console units and the AM 550 and AM 610 table-top copiers. Principal supply items are toners and coated paper.

AM has a full line of Addressograph mechanical and electro-mechanical machines for repetitive writing from plastic or metal plates and a line of Graphotype machines for plastic and metal plate embossing. Principal supply item is the Addressograph plate.

AM's composition line ranges from the VariTyper 1010 strike-on and Headliner photolettering machines to versatile electronic phototypesetters, such as the AM 744 and AM 748. The line also includes editing and correcting video display terminals, an OCR tape preparation machine and a scanner-editing terminal combination. Type discs and fonts, photochemicals and papers are principal supplies.

AM participates with three product lines: AMCAT, point-of-sale terminals, and data recorders. AMCAT is a computer access terminal for credit authorization and electronic funds transfer. Documentor is a POS management information terminal. Data recording products generate computer compatible retail sales data. In support of data recording, AM is the world's leading producer of credit cards.

AM products specialize in the "fiche" segment of the total micrographics market and include three models of fiche duplicators, a camera/processor, reader/printer and retrieval/display equipment. Additional products include aperture card duplicators and an enlarger/printer for roll film and aperture cards. Fiche film and photochemicals are primary supplies.

The "non-product" of service is essential to AM product success and includes installation and preventive maintenance, on-site repair and parts replacement. AM also offers graphics service on a retail basis, including duplicating, copying, diazo reproduction, micrography, embossing and addressing/mailing.

In addition to supplies oriented to AM machines, the company offers a line of general graphics supplies, including typewriter ribbons, computer and data processing ribbons and inked rolls, carbon paper, solvent film carbon and copier toner and developer.

## MANUFACTURING

## MARKETING

AM duplicator products, with certain exceptions, are manufactured at the Euclid, Ohio, plant, at Hemel Hempstead in the United Kingdom and Bauerle facilities in St. Georgen, Germany. Assembly is also accomplished at several International Division locations.

Three AM divisions market duplicator products. Multographics sells to all but the commercial printing market in the U.S. VariTyper serves the commercial printers. International markets through its worldwide network of subsidiaries and dealers. Duplicators and Total Copy Systems are placed primarily through sale, long-term lease or copy service plans.

Engineering graphics machines and supplies are manufactured for Bruning Division at the Mount Prospect, Illinois, plant and in Bruning plants in the U.S. Admel, a division of AM Ltd. in the United Kingdom, also manufactures engineering graphics machines that parallel the Bruning line.

Engineering graphics products are marketed by both Bruning and International Divisions to engineering, architectural, construction and industrial firms, and government agencies. Much current emphasis is on the educational market.

The AM 5000 is manufactured at the Multographics plant in Mount Prospect, Illinois. It is also assembled at international plants from U.S.-made parts sets. Other copying products are OEM items licensed to AM by overseas manufacturers including Canon, Minolta and vander Grinten. Certain copiers are not produced as "end" products but are utilized as master imagers in copy duplicating systems.

Copiers are marketed throughout the U.S. by Multographics Division and elsewhere by International Division. Copiers are predominantly marketed by rental plan.

The Euclid, Ohio, plant is the principal manufacturer of both basic types of products. International Division manufactures or assembles in various locations.

Multographics and International Divisions market to a broad range of customers requiring mechanized addressing or other forms of systemic repetitive writing in moderate to high volumes.

The VariTyper plant in East Hanover, New Jersey, produces most machine products as well as type discs and fonts. The division has moved aggressively toward self-sufficiency and elimination of license and royalty agreements, as illustrated by its development and manufacture of Amtrol minicomputers for use in electronic products.

Both VariTyper and International Divisions market AM composition equipment to a wide variety of customers, especially to commercial printers—including newspaper and periodical publishers—and the in-house duplicating and engineering operations of business.

The Data Systems Division plant in Holmesville, Ohio, produces AMCAT and data recorders. Documentor systems are manufactured in Santa Ana, California. Facilities in Hillside, New Jersey and Guilford, Connecticut produce plastic credit cards. Credit card embossers are manufactured in the Euclid, Ohio, plant and several International Division locations are involved in production of data recording equipment.

Data Systems Division markets the three lines in the U.S. while International Division markets data recording equipment elsewhere. Data recording products serve primarily in petroleum retailing, manufacturing, health care, travel and entertainment, banking and finance. AMCAT is targeted to applications involving high volume of retail credit purchases, and Documentor is tailored to the food services and lodging industries.

AM micrographics equipment and supplies are manufactured in the U.S. by Bruning Division plants at Broomall, Pennsylvania, and Santa Ana and Menlo Park, California.

The total market for micrographics equipment is still emerging and remains relatively undefined. Bruning and International Divisions have successfully penetrated market segments with emphasis on customers with high fiche duplication requirements.

Replacement parts for machine service are produced by product divisions and International Division plants. In the U.S., product service is accomplished by AM Services Division. The International Division provides service through its subsidiaries and independent dealers. In the U.S., Graphics Service Operation provides retail reprographics service.

Availability of service is an integral part of product marketing and is frequently "sold" as part of the initial product placement. All service organizations, however, market service agreements as independent business. Retail reprographics services are marketed on a "walk-in" and contract service basis.

The Cleveland, Ohio, plant of the AM Services Division is the main producer of graphics supply items.

The AM Services Division markets to the office equipment market through its own sales group by retail sales, through dealers and to OEM customers reselling under their own brand names.

## DUPLICATORS AND COPIERS

Communicate! Spread the word!  
Get out a report! Make a mailing!  
Copies for everyone!

These are by-words of modern society. Business and industry, government, institutions and even private groups—everyone's need to share information in "hard copy" form is growing. In fact, the worldwide duplicator and office copier output this year will approach 700 billion copies. And the worldwide market for the machines, supplies and service needed to produce all these copies is estimated at approximately \$5.5 billion.

Without question, this market is AM's largest and most important. More copies are made on AM equipment than that of any other manufacturer—duplicator or office copier. In the U.S. alone, more than 115 billion copies will be made on AM equipment this year. And of a domestic offset duplicator population estimated at 200,000 machines, roughly 45 percent bear the AM nameplate.

Not surprisingly, AM participates in this sprawling market on many fronts. Duplicators and copiers are primarily produced by the Multographics and International Divisions. In a few special situations, machines sold by AM are manufactured by other companies. In the U.S., duplicator and copier machine and supplies sales are through both Multographics and VariTyper Divisions with Multographics concentrating on the more than 50,000 in-plant reprographics departments while VariTyper is concerned with commercial printing customers. For both, AM Services Division provides

maintenance and repair support. Overseas, International Division serves customers across the board through both subsidiaries and independent dealers.

Not long ago, duplicating and copying were considered separate and distinct markets, made so more by differing machine applications and operating characteristics than by differences between ink and other imaging techniques. Today, such distinctions are vague at best and duplicating and copying have become a single, integrated market as a natural result of competition and evolving technology.

AM pursues this consolidated market with both technologies although its presence in copiers plays a support role to its duplicator business. A

*Members of the Colville Confederated Tribes in upstate Washington train for future careers in graphic communications in their own AM-equipped facility.*



*Holiday Inns, Inc., "The World's Inn-keeper," uses AM electrostatic copiers at its Memphis headquarters to help speed the flow of information to many Holiday Inns across the nation and around the world.*

*In his basement workshop, noted American artist, Forrest Hill, uses an AM Multilith 1850 to reproduce limited copies, (each numbered and signed), of his two-color lithographs of the Old West.*

family of AM electrostatic copiers has achieved significant market penetration in that sector of the office market which is most cost-conscious. Penetration of the plain paper copy market has gained strong impetus with the AM Total Copy System, a high speed, high quality convenience copy duplicating system.

This is the area of AM's greatest traditional strength, characterized by longer runs and high quality reproduction. Beneficial and carefully executed research and development programs are in process to further enhance the company's position in high volume reproduction technology. While AM's R & D efforts are now largely directed to consistent improvements in proven ink on paper systems, it continues to assess all new

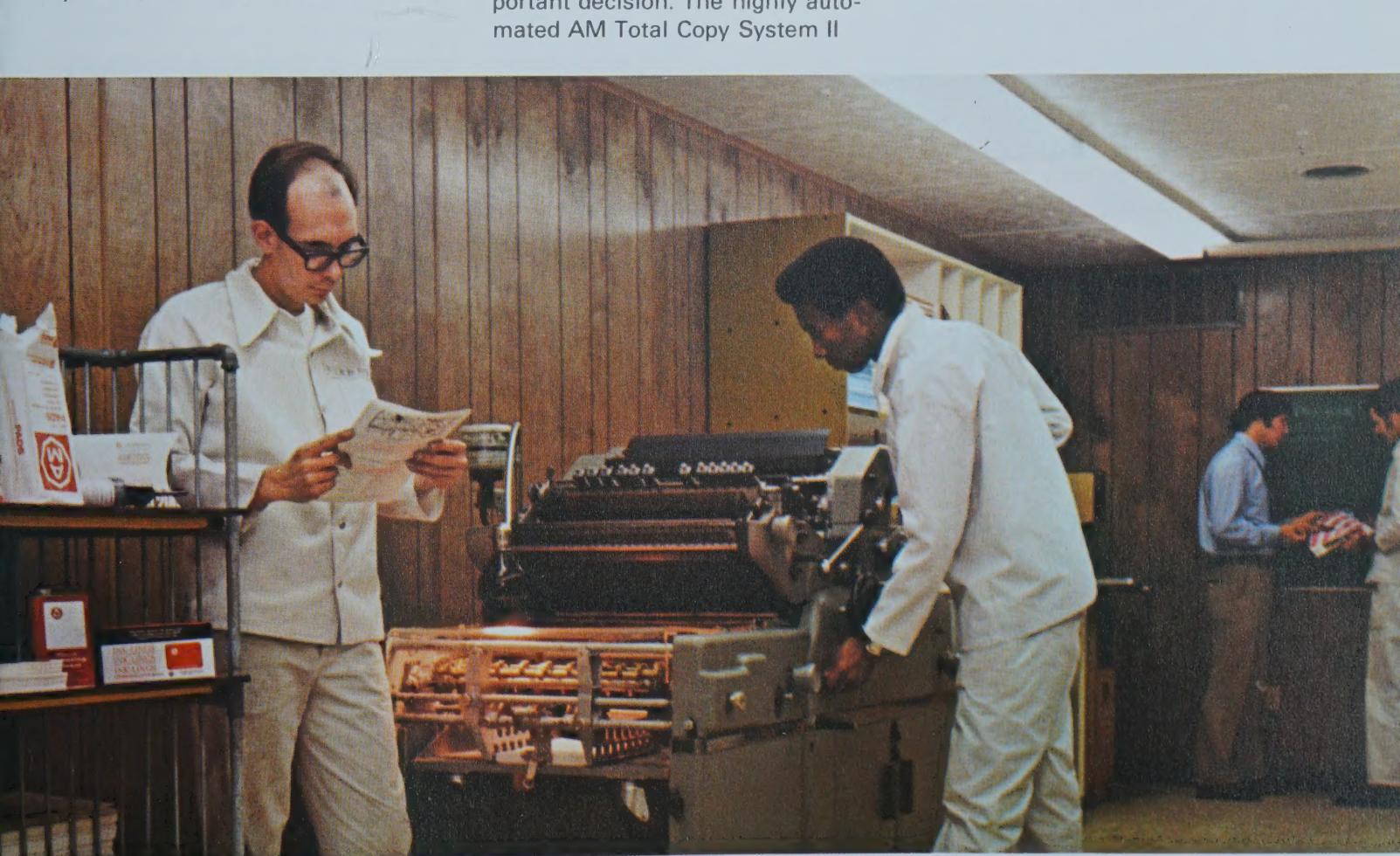
technology in terms of market potential and ability to satisfy present and future user requirements.

After a thorough evaluation of recently unveiled competitive plain paper products, and the relative merits of ink and imaging technologies, a strategic decision was reached late in fiscal 1974. AM has concluded that the present and future needs of the high speed, high volume segment will be best served with time-tested duplicator technology. Further, AM will strive to enhance this proven technology in the areas of productivity and convenience in order to satisfy the "total job" requirements of today's customers.

AM entered the new year with a special ability to implement this important decision. The highly automated AM Total Copy System II

is already the most widely used high speed, high volume reproduction system on the market. Moreover, reaction within the market evidences clear ability for the TCS II to remain competitive in both price and performance.

Late in fiscal '74, Multigraphics Division previewed the AM 2875 machine which features two-sided duplicating. The AM 2875 can be used as a free-standing unit, with automatic master feed from cartridges, or on-line with a master maker providing an unequalled extension of the TCS concept. With an 11" by 17" sheet size and duplexing, the AM 2875 has an output speed equal to more than 30,000 standard



*Inmates at an Arkansas correctional facility have the chance to become skilled graphic arts specialists by "graduating" from a vocational center using AM's Multigraphics equipment.*



In Washington, D.C., Western Union, an American company that is synonymous with the word "communications," uses an AM Total Copy System for fast, economical duplication of administrative forms.



Globe-girdling Sabena Airlines pilots give essential flight information to service and maintenance crews by copying flight logs on an AM copier.

8½" by 11" pages per hour. By year-end, nearly \$1 million worth of "reservations" had been received for the AM 2875 even though firm orders were not to be taken until the start of production in the fall.

Even as the base in the critical high speed, high volume segment is reinforced and extended, AM's ability to serve other portions of the market has been strengthened. Two table-top duplicators (AM 212 and AM 220), previously manufactured and marketed in Europe by the International Division, were introduced to the domestic market as the new fiscal year began and a "mini" Total Copy System—placing either of these duplicators on-line with a table-top master imager—is being introduced this fall. Finally, refinements of AM's line of "standard" duplicators (the long-familiar "Multi" machines) continue to be offered in response to evolving needs of the market.

Shortages of parts and components have had a particular impact on duplicator products. AM began the new fiscal year with an unusually strong order position in this area but, because shortages have significantly lengthened work-in-process times, it will be well into the new year before this encouraging position converts to revenue.

#### ENGINEERING GRAPHICS

The hi-rise, push button, lunar rover world of modern man is in many respects the product of the engineers and their associates, the draftsmen. They have created it with skill and knowledge and with "tools" ranging from rulers to computers.

Those of their tools known as engineering graphics—engineering copiers, whiteprinters and drafting equipment and supplies—constitute the market served by the engineering graphics segment of the Bruning Division. In this market, estimated to

be in excess of \$1 billion worldwide, the Bruning name clearly signals quality and leadership. Bruning has served the market since 1898.

In the U.S., where it is a leading supplier of engineering copiers, whiteprinters and drafting equipment, Bruning sells its own machines and supplies while AM Services Division provides maintenance support. Overseas, Bruning products and certain related items produced by Admel (division of AM Ltd. in the United Kingdom) are marketed by the International Division.

Eliminating the inflationary influences, the engineering graphics market is growing at a very modest rate. Its size makes it an appealing market nonetheless and AM's market share continues to expand with "real dollar" growth. This favorable trend results primarily from the proprietary Pressure Diazo process which eliminates ammonia fumes and the need

*Ships that go down to the sea from the ways at Newport News Shipbuilding and Dry Dock Company are built by skilled American shipbuilders using engineering prints made on a Bruning "whiteprinter."*

*In Painesville, Ohio, Avery Label's Fasson Products Division makes whiteprints of various-size systems engineering drawings using a Bruning PD-160 pressure diazo whiteprinter.*

for venting normally required in engineering copiers using the dry ammonia process. Bruning now offers a family of "PD" products and plans to continue to expand the line. The PD-160, with greater user production capacity, was introduced in the spring of 1974 and is expected to contribute significantly to fiscal 1975 revenues. The previously introduced PD-80 "table top" machine and the smaller PD-30 are both well established in the market.

While machines and their technology make it happen, the engineering graphics market is essentially a supplies business. Approximately half of AM's engineering graphics revenue is from supplies—notably paper and chemicals. In this area, shortages and inflation have combined to produce an especially severe cost spiral. Bruning has been quick to react to these adverse economic conditions in order to protect its gross margins.





General Electric's Lamp Business Division's mailing list operation at Nela Park uses Addressograph repetitive writing equipment to address volumes of mail for both external and internal use.

### REPETITIVE WRITING

It began with putting addresses on envelopes for repetitive mailing—like your monthly utility bills—and the original Addressograph machine was one of two on which AM was built.

While it remains an important application, mail addressing today is but one slice of the multi-faceted market for repetitive writing equipment. Other typical uses include: machine identification plates; materials control and scheduling systems; medication dispensing in hospitals; and even the familiar "dog tag."

Worldwide, the repetitive writing market is valued at some \$175 million, large enough to sustain significant business for its many participants. Nearly half of this value is attributable to service rather than machine and supplies sales. Total market growth is marginal and the domestic market share held by producers of mechanical equipment, including AM, continues to fall to

competitive inroads by computer-based systems. Internationally, the market share for mechanical equipment producers, again including AM, is holding firm.

Marketed by Multigraphics Division in the U.S. and International Division overseas, AM's product line includes mechanical and electromechanical repetitive imprinters and a full array of plastic and metal plate preparation machines.

An extension of existing repetitive writing technology, but in a form that offers particularly convenient and easy operation, is expected to be added to the line in fiscal 1975.

### COMPOSITION

Inventor Charles F. Kettering said it: "A thought or idea unshared is as if there was none." Today, more than ever before, the principal means of sharing a thought or idea or any piece of information is the printed word.

*At a Dutch hospital in Sittard, patient registration card information is embossed by means of a Graphotype 6440, hooked on-line to a card punch. The resulting input and the list of AM-recorded hospital services, make automatic computer invoicing possible.*

The global market for the equipment that prepares words for printing—mechanical and photoelectronic typographic equipment—is assessed at nearly \$400 million with an annual growth rate of approximately 14%. AM participates in this market through its VariTyper Division which makes and sells mechanical strike-on, photolettering, phototypesetting and electronic input/editing equipment domestically and through AM International which markets the VariTyper line overseas.

As recently as three years ago, VariTyper's orientation was almost exclusively to the rapidly maturing strike-on segment of the market. The Division now is completing an aggressive transition into photo-

composition and electronic editing. In doing so, it has developed an almost unique price-to-level-of-technology ratio as well as an especially effective interface with the burgeoning word processing field, that is capturing widespread industry response. Moreover, it has developed nearly total self-sufficiency with regard to both hardware and software, primarily through building in-house production capability for several system components previously purchased and through the development of its own minicomputer controller (AMTROL).

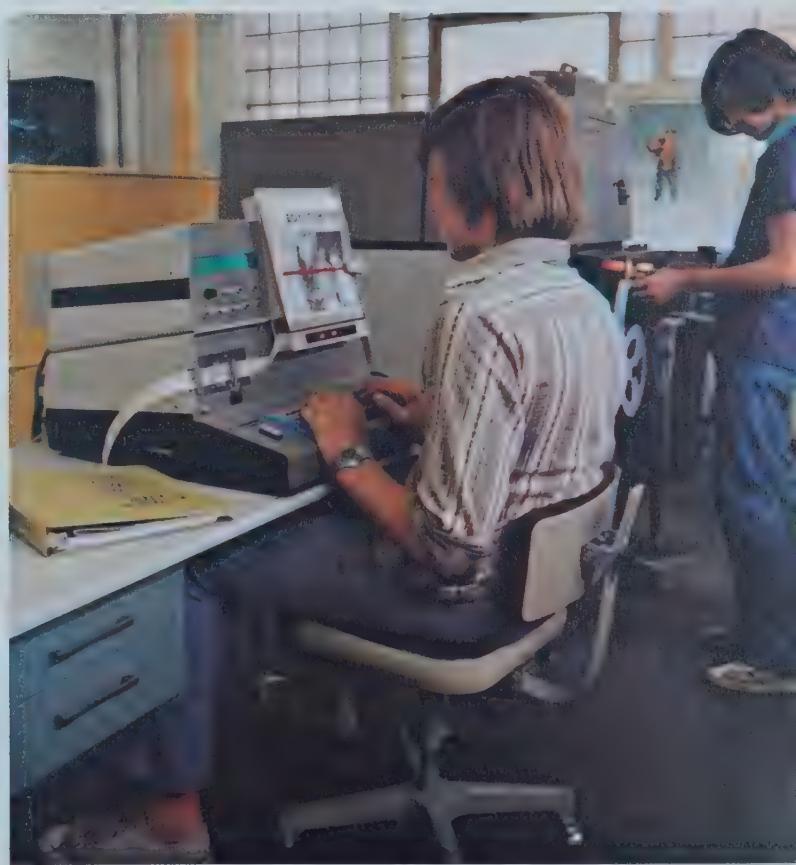
During the past 15 months, VariTyper has brought to the market a full family of electronic input and editing equipment which supports the previously introduced phototypeset-

ter line and establishes the division's ability to offer a sophisticated systems approach to type preparation. This family now includes single line and full-page video display correcting and editing terminals, an OCR tape preparation unit and an exciting combination of the latter two which permits "raw" typewritten copy to be electronically read, edited into final form and converted to punched tape ready to go on a phototypesetter (complete with typesetting commands) in a single unit.

At the same time, extensive new software has been introduced including Storan Modular Software which permits AM phototypesetters to execute logical hyphenation routines in 14 different languages.



*Learning to communicate without hearing, students at the Indiana School for the Deaf learn sign language from books composed on VariTyper Headliner composition equipment using a special type disc prepared by VariTyper Division.*



*"Citizens" of Boys Town in Nebraska prepare copy for their hometown newspaper on VariTyper Electro/Set editing terminals for composition on minicomputer phototypesetters.*



*Buying shoes at Bally's, a high fashion boutique in Paris, is no different than buying a pair at Halle's in Cleveland, or Hudson's in Detroit...AM data recorders "capture" the transaction information.*



*At New York's fashionable Delegate Restaurant, an enjoyable evening is quickly accounted for with an American Express Card and a Data Systems AMCAT credit authorization terminal.*

## TRANSACTION PROCESSING

If you use credit cards—and nearly half the adult population does—AM is already part of your personal world. In the years ahead, as the checkless society becomes a reality and as the retailer/customer relationship is further "electronicized" your world and AM's will be even closer.

The market is known as transaction processing; that slice of the huge data processing field that captures information at the point of transaction, facilitates transporting the information from one action point to another and provides access to a

central data base. Worldwide, it is a \$1.9 billion market that is expected to more than double in the next five years.

Within this slice, AM's Data Systems Division is committed to specialized segments where leadership can be gained and held. These segments encompass the traditional credit card/data recorder line, the new AMCAT credit authorization terminal and the Documentor line of mini-computer-based management systems for the food service and lodging industries.

An internally developed product with "leading edge" technology, AMCAT entered production during fiscal 1974 and deliveries began immediately to customers in the petroleum, private credit plan and banking fields.

The Documentor line was acquired and introduced by AM in 1972. Since then it has become a significant influence in the market and DSD at year-end had continuing commitments from 37 of the largest nationwide fast food chains. Similar penetration has been achieved with large fine food chain restaurants.

Production start-up costs and high selling and support overhead for both AMCAT and Documentor during a period of modest revenues have precluded profitability for DSD at this time. Significant challenges exist including: the impact of the energy crisis on the petroleum industry (a major user of data recorders); slower-than-expected delivery acceptance by a major AMCAT customer; and the slowness of the banking industry and government agencies to resolve certain questions on which the future of electronic funds transfer hinges.



*At Rustler's Steak House in Suitland, Maryland, AM Documentors speed customer service by totaling orders accurately and accumulating data for management study.*

"Ryder" rents trucks and keeps track of equipment, service, rates, and other necessary details, keeping customer service at peak levels with a Bruning 95 microfiche retrieval unit.

## MICROGRAPHICS

A by-product of the information explosion and the growing need for fingertip access to huge volumes of information and data, micrographics is emerging as a market of truly tremendous potential. In addition, the spiraling cost and shortage of paper are combining with other economic pressures to accelerate even more the development of this market.

Today, the worldwide micrographics market is approaching \$1 billion with a 14% annual growth rate.

One industry participant, however, has suggested that new applications could "explode" the market to such a degree that today's industry-wide sales might represent as little as 5% of the total potential market.

Through its Bruning Division, AM has entered the most vital segment of the micrographics field—microfiche—and while still a relatively small participant, is experiencing a growth rate nearly double that of the industry. During the past three years, Bruning has effectively penetrated this market and is rapidly gaining a reputation for product quality and innovation, including throughout Europe where Bruning micrographics products are marketed by the International Division.

Bruning's broad microfiche product line encompasses fiche duplicators, a camera/processor, retrieval/display equipment, and an enlarger-printer. Of particular significance are the "OP" duplicators. The division's initial penetration into micrographics was with the OP-40 fiche duplicator which has since become accepted as the industry "standard." Late in fiscal '74, two additional "OP" units were introduced, enlarging the market potential for this product group. The OP-10 desk model offers small space convenience to the lower volume user while the OP-50 embodies high speed and automation for high volume applications.



In Cleveland, Ohio a Bruning OP-47 duplicates COM-generated fiche of bank reports at the Cleveland Trust Company.

*Fast and accurate, yes...but convenient too! GSO walk-in service centers such as this one, located on Public Square in downtown Cleveland, are strategically placed at the heart of many metro business areas.*

## SERVICE

No matter what machines are offered or what those machines are capable of, service is a pivotal consideration for virtually every customer.

With approximately 5,000 technical representatives throughout the world, AM is one of the leading suppliers of graphics equipment service. Sixty percent of this organization serves AM's machine customers in the United States. The remaining 2,000 servicemen are spread around the globe and, in many countries, are complemented by the service personnel of independent dealers who market AM equipment. (AM does not utilize a dealer organization in the U.S.)

Overseas, each international subsidiary maintains its own service organization but service training is implemented under the auspices of the International Division at schools in The Netherlands, England and Australia. In addition, plans are being laid for another training school to serve Latin America.

In the U.S., with one exception, machine service is performed by AM Services Division operating in support of the company's product divisions. A centralized sales/service training center in Schaumburg, Illinois, completed its first full year of operation in fiscal 1974 providing a total of 21,760 man-days of training.

The single exception to the centralized domestic service organization is the highly sophisticated technical support and service required by the transaction processing products. For AMCAT, Documentor and the data recorder products, Data Systems Division presently maintains its own service capability.

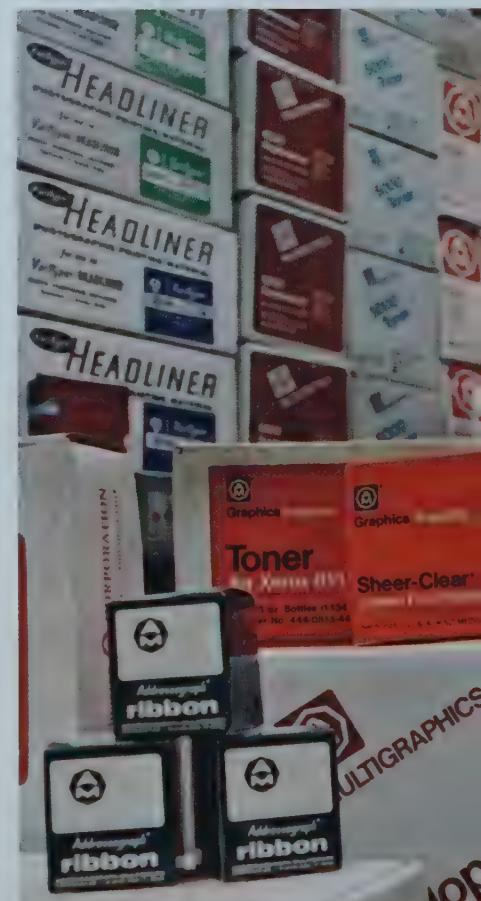
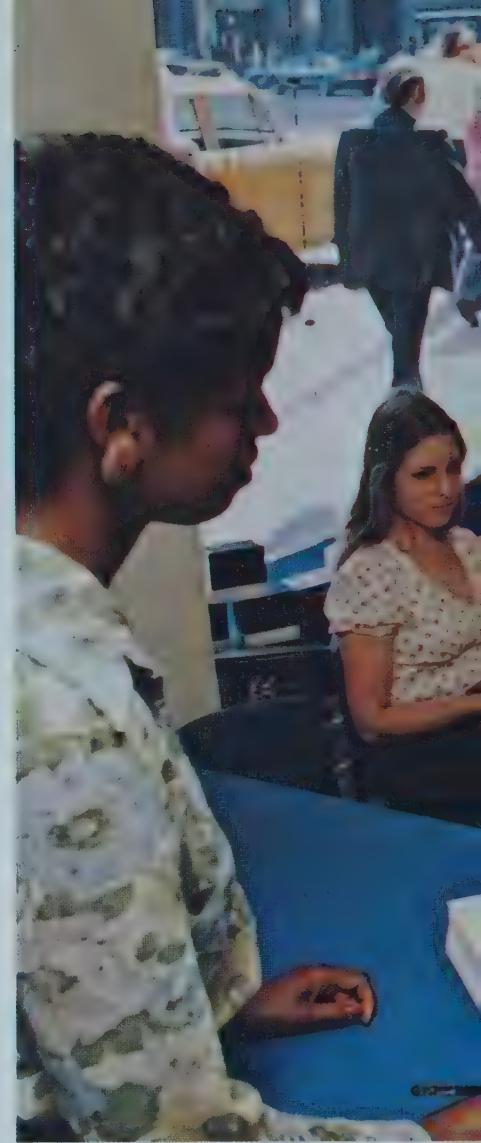
In addition to machine maintenance and repair, AM also provides another kind of "service" in the U.S.—reprographics production and related service. Through centers in a dozen prime metropolitan areas, AM's Graphics Service Operation provides duplicating, copying, whiteprinting, graphic restoration, micrographics, embossing and addressing/mailing services to retail customers. GSO also provides staffing and management services for in-plant or in-office reprographics facilities.

A venture operation initiated by AM in fiscal 1972, GSO contributed approximately 15% of the company's total fiscal 1974 service revenue.

## SUPPLIES

AM is readily identified around the world with the machines it makes and sells but supplies play an equally important role. Supplies that are unique to AM's machine products or have a particular application to the technology involved—from coated paper to duplicator masters to photochemicals—are sold by the product divisions and by AM International. In total, they represent approximately two-fifths of total sales.

Through AM Services Division, however, the company also participates in the \$700 million-a-year domestic general graphics supplies market, producing a growing line of carbon and ribbon products, copier toners and other supplies items. Though AM's position in the market remains quite small, general supplies revenues have been growing more rapidly than the market.



*In addition to supplies produced in support of each product line, the AM Services Division produces and sells supplies for a wide variety of AM and non-AM product users.*



## ORGANIZATIONAL DEVELOPMENTS

During the past year, the structure of AM's profit center divisions and foreign subsidiaries continued as described in last year's report but certain organizational refinements were accomplished, designed to improve administrative control and better equip the company to respond to the many challenges that lie ahead. The most significant of these are highlighted here.

The corporate headquarters financial functions, including both treasury and control responsibilities, were consolidated with a unified reporting relationship and Paul E. Priest was elected to the new position of Vice President, Finance.

The domestic product divisions—Multigraphics, Bruning, VariTyper and Data Systems—are under the direction and control of Robert F. Murphy who was appointed Corporate Vice President.

Field operations for maintenance service and administration now report to Norman D. Holland who was named Vice President, Service and Field Administration.

To further improve managerial and administrative control of the complex network of international subsidiaries, the International headquarters transfer to Brussels from Cleveland was completed. All overseas operations are now under the direction of Kenneth D. Blum, Vice President and General Manager of the International Division.



*To insure that thousands of customers benefit from AM equipment for the longest period possible, AM service representatives are dedicated to implementing programs of preventive maintenance.*

# Financial Review and Summary of Accounting Policies

The major accounting principles and practices followed by AM are presented herein (in *italics*) to assist the shareholder and other interested readers in evaluating the consolidated financial statements and other data presented.

## SALES

Worldwide sales of \$540,833,000 in fiscal 1974 were \$50,984,000 or 10% ahead of the prior year's total of \$489,849,000. Service billings and rental revenues of \$123,050,000 in 1974 and \$114,304,000 in 1973 amounted to 23% of total billing for both years. The contribution of each product to total sales for both 1974 and 1973 is shown below:

(In Millions)	1974		1973	
	Amount	%	Amount	%
Duplicators	\$181.8	34	\$161.9	33
Services	90.2	17	85.8	18
Engineering Graphics	87.7	16	74.1	15
Copiers	60.0	11	53.9	11
Repetitive Writing	38.1	7	35.8	7
Transaction Processing	31.6	6	33.0	7
Composition	34.2	6	32.7	7
Micrographics	7.7	1	5.0	1
General Supplies	9.5	2	7.6	1
Total AM Sales	\$540.8	100%	\$489.8	100%

## EARNINGS

Consolidated net income was \$308,000 or \$.04 per share. In 1973, earnings were \$4,443,000 or \$.55 per share after deducting special expenses relating to accounts receivable and inventory amounting to \$20,175,000 before provision for taxes.

The sharp decrease in 1974 earnings is attributable to a number of factors. The cost of products and services sold increased rapidly during the year and was not fully offset by price increases. The extent of these cost increases during the year was not fully determined and reflected in the cost of products and services until the fourth quarter. Price controls, both domestically and in certain countries abroad, and competitive pressures with respect to some products restricted the company's ability to raise prices throughout the year. Significantly higher interest expense was incurred because of increased bank borrowings and higher interest rates. In

addition, the International Division was adversely affected by the three-day work week imposed by the British Government in 1974 which resulted in five weeks of reduced production at AM's largest overseas manufacturing facility.

## EARNINGS PER SHARE

*Net income per share of common stock is based on the weighted average number of shares of common stock outstanding.*

There would be no dilution in AM earnings per share from the conversion of convertible debentures and the exercise of stock options.

## DIVIDENDS

AM paid cash dividends totaling \$3,617,000 or \$.45 a share in 1974 compared to \$4,823,000 or \$.60 per share in 1973. In June 1974, the directors voted to suspend payment of the company's quarterly dividend. Payment and amount of future dividends will depend on the company's earnings, financial condition, and cash requirements.

## PRINCIPLES OF CONSOLIDATION AND INTERNATIONAL SUBSIDIARY DATA

*The consolidated financial statements include the accounts of all domestic and international subsidiaries and all intercompany transactions have been eliminated.*

*Foreign subsidiary balance sheet accounts are translated into U.S. dollars at approximate rates of exchange prevailing at the end of their fiscal year (June 30) except for property, plant and equipment, capital stock and retained earnings which are translated at historical rates. Revenue and expense accounts for each month are translated at the approximate rates of exchange in effect during the month, except for depreciation which is translated at the rates of exchange which were in effect when the respective assets were acquired.*

*Ordinary profits or losses resulting from changes in the value of the U.S. dollar in relation to foreign currencies are absorbed in the International Operations Reserve. Reserve amounts considered to be in excess of normal requirements are restored to income. Gain or loss on forward exchange contracts is recognized in income upon settlement.*

In 1974, there were no additions to the International Operations Reserve and there were foreign currency exchange losses of \$1,552,000 for the year which were charged against this Reserve. In 1973, the company added foreign currency exchange gains of \$746,000 to the Reserve and an additional \$384,000, resulting from the major devaluation of the U.S. dollar in February, 1973, was taken to income as an extraordinary item. Subsequently, the \$746,000 was determined to be in excess of normal reserve requirements and was restored to 1973 income.

In 1974 the International Division headquarters was moved to Brussels, Belgium from Cleveland. This division includes all operations located outside the United States and is responsible for the overall management of the foreign subsidiaries as well as for sales from domestic divisions to foreign dealers and customers. The following table summarizes the net assets of the International Division at June 30, 1974 and 1973 with operating data for the years then ended.

	1974	1973
Current assets	\$118,189,000	\$119,490,000
Current liabilities	58,789,000	49,908,000
Working capital	59,400,000	69,582,000
Other sundry assets	10,277,000	10,226,000
Plant & equipment less depreciation	26,340,000	21,865,000
Total	96,017,000	101,673,000
Long-term debt	26,008,000	21,991,000
Deferred income taxes	524,000	296,000
International operations reserve	1,350,000	2,902,000
Net assets employed by the International Division	\$ 68,135,000	\$ 76,484,000
Net sales and operating revenues	\$181,176,000	\$161,880,000
Income before extraordinary credit	\$ 999,000	\$ 9,219,000
Extraordinary credit	—	384,000
Net income	\$ 999,000	\$ 9,603,000
Dividends received from international subsidiaries	\$ 4,656,000	\$ 3,433,000

## INCOME TAXES

Deferred and prepaid income taxes have been provided for timing differences between financial and tax reporting and relate primarily to leasing agreements, installment sales contracts, service contract obligations, pension expense, and the special

charges in 1973 relating to inventory and accounts receivable. The investment tax credit is recorded under the flow-through method of accounting as a reduction of the current provision for federal taxes.

The provision for taxes on income before extraordinary credits is summarized as follows:

	Current	Deferred	Total
1974			
U.S. Federal	\$ —	\$ (991,000)	\$ (991,000)
Foreign	3,134,000	153,000	3,287,000
Total 1974	\$ 3,134,000	\$ (838,000)	\$ 2,296,000
1973			
U.S. Federal	\$ 353,000	\$ (6,318,000)	\$ (5,965,000)
Foreign	7,981,000	179,000	8,160,000
Total 1973	\$ 8,334,000	\$ (6,139,000)	\$ 2,195,000

The 1974 and 1973 tax provisions expressed as a percentage of pre-tax income are 88.2% and 40.5%, respectively. A reconciliation of the effective rate for 1974 and 1973 and the U.S. statutory rate of 48% follows:

	1974		1973	
	Percent	Amount	Percent	Amount
U.S. statutory rate	48.0	\$ 1,250,000	48.0	\$ 2,603,000
Investment tax credit	(16.4)	(427,000)	(23.3)	(1,261,000)
Foreign tax credit which could not be recognized	39.0	1,015,000	44.6	2,417,000
Effect of varying rates applicable to income of foreign subsidiaries	17.2	448,000	(26.1)	(1,416,000)
Other	.4	10,000	(2.7)	(148,000)
Tax provided	88.2	\$ 2,296,000	40.5	\$ 2,195,000

Although all foreign tax credits to which the company is entitled have been or are being realized on the federal income tax returns, for financial reporting purposes foreign tax credits of \$1,015,000 in 1974 and \$2,417,000 in 1973 have not been recognized because reported U.S. earnings were not sufficient to absorb such foreign tax credits.

Prepaid income taxes of \$10,088,000 have been transferred from current assets to future income tax benefits because their realization is not likely to occur within one year. Deferred income taxes of \$5,461,000

have been offset against the above transfer.

There are unremitted earnings of foreign subsidiary companies of \$47,211,000 on which foreign income taxes have been paid for which no provision is necessary for foreign withholding or U.S. income taxes because this amount is expected to be reinvested indefinitely in plant and equipment and working capital. It is the company's practice to remit dividends from current earnings.

## RESEARCH, DEVELOPMENT AND ENGINEERING

*Research, development and engineering costs related to future and present products are expensed as incurred.*

Expenditures for research, development and engineering were down in 1974 as a result of cost-reduction programs and establishment of new priorities. Expenditures totaled \$20,007,000, compared to \$24,015,000 for 1973.

## DEPRECIATION

*The company and its subsidiaries utilize the straight-line method of computing depreciation for financial reporting purposes. Depreciation rates are based on estimated useful lives of the assets. Leasehold improvements are amortized over the terms of the various leases.*

The provision for depreciation amounted to \$17,497,000 in 1974 and \$14,764,000 in 1973.

## PENSIONS

*Total pension expense includes, as to principal plans, current service costs, plus amortization of prior service costs over a 30-year period. All pension expense accrued is funded.*

The company and its subsidiaries have pension plans, both contributory and non-contributory, covering substantially all of their employees. The total pension expense for the years ended July 31, 1974 and 1973 was \$8,894,000 and \$6,855,000 respectively. The actuarially computed value of vested benefits as of the most recent valuation date adjusted for pension improvements negotiated in 1974 exceeded the current market value of pension fund assets and balance sheet accruals by approximately \$19,200,000. At July 31, 1973 the current market value of the pension fund assets exceeded vested benefits.

## LEASES

The company and its subsidiaries have various cancellable and non-cancellable leases with minimum annual rentals aggregating approximately \$18,807,000 at July 31, 1974 and \$15,629,000 at July 31, 1973. The company also pays taxes, insurance and other expenses related to most of the leased premises. Minimum rental commitments under non-cancellable leases for major categories of property are as follows:

	Minimum Commitments		
	Real Estate	Vehicles & Equipment	Total
1975	\$ 8,475,000	\$6,009,000	\$14,484,000
1976	8,069,000	4,970,000	13,039,000
1977	7,342,000	3,210,000	10,552,000
1978	6,934,000	650,000	7,584,000
1979	5,920,000	12,000	5,932,000
1980-84	22,053,000	32,000	22,085,000
1985-89	10,805,000		10,805,000
1990-94	3,828,000		3,828,000
1995 and thereafter	102,000		102,000

Non-capitalized financing leases (as defined by the Securities and Exchange Commission) are not significant.

## MAINTENANCE AND REPAIRS

*Maintenance and repair costs are expensed as incurred. Costs of renewals and betterments are capitalized.*

## ACCOUNTS RECEIVABLE

Accounts receivable (after an allowance of \$8,820,000 for doubtful accounts) of \$132,750,000 at July 31, 1974, represents an increase of \$9,936,000 over the balance at the end of 1973. There was an improvement in collections during the year. However, accounts receivable increased as a result of higher sales.

## LEASE AND INSTALLMENT CONTRACTS RECEIVABLE

*Machines leased to customers under certain long-term leases are treated as sales and the trading profit is recognized currently in the income statement. Related finance charges are taken into income over the life of the leases.*

*The trading profit on installment sales is recognized in income at the time of the sales. Carrying charges are taken into income over the life of the contracts.*

Net sales derived from leases treated as explained above were \$9,526,000 in 1974 and \$7,386,000 in 1973. No leases extend beyond five years. Finance income from such leases amounted to \$3,295,000 in 1974 and \$3,125,000 in 1973.

In February, 1974 the company sold with substantially full recourse \$1,966,000 of equipment leases to an unaffiliated leasing company.

Total installment receivables due beyond one year, none of which mature later than 1977, amounted to \$4,599,000 at July 31, 1974 and \$7,467,000 at July 31, 1973.

#### ADDRESSOGRAPH MULTIGRAPH FINANCE CORPORATION

During fiscal 1974 Addressograph Multigraph Finance Corporation (AM Finance) was formed as a wholly owned subsidiary to finance certain equipment leases and installment contracts with the company's customers. Subsequently the company entered into an agreement with an unaffiliated finance company whereby the unaffiliated company is entitled to purchase the first \$5,000,000 of leases and installment contracts and thereafter at least 60% of additional leases and contracts entered into by AM Finance. Any losses by the unaffiliated finance company on contracts purchased from AM Finance will be shared in stipulated proportions. As of July 31, 1974 AM Finance Corporation was still in the development stage and was not material.

#### INVENTORIES

*Inventory values are determined on the basis of lower of cost—mainly first-in, first-out—or market.*

	1974	1973
Raw materials and supplies	\$ 22,187,000	\$ 13,673,000
Work in process including parts used in manufacturing	55,516,000	47,337,000
Finished parts, machines and supplies	103,253,000	99,273,000
	180,956,000	160,283,000
Less allowance for slow-moving, surplus and obsolete inventory	16,634,000	20,597,000
	<u>\$164,322,000</u>	<u>\$139,686,000</u>

Inventories of \$164,322,000 are \$24,636,000 greater than inventories at July 31, 1973. This increase is attributable principally to the rapidly rising costs of material and labor, a buildup to accommodate higher sales volumes, an effort to hedge against shortages in

paper, chemicals, plastics, and other critical materials, and to action taken to prevent parts shortages because of longer lead times required by vendors. For comparative purposes, certain 1973 finished inventories were reclassified to conform with 1974 classifications.

#### CAPITAL EXPENDITURES

*Expenditures for property, plant and equipment, including rental machines and machines under short-term leases, and renewals and betterments which extend the estimated useful life of assets are capitalized.*

Total expenditures for property, plant and equipment were \$35,064,000 in 1974 compared to \$38,470,000 in 1973. Expenditures of \$17,059,000 for buildings and machinery were down \$2,196,000 from 1973 and expenditures for rental machines were \$579,000 more than the previous year.

#### PROPERTY RETIREMENTS

*When assets are disposed of, the cost of the asset and related accumulated depreciation are removed from the accounts, and any gain or loss is reflected currently in earnings.*

In 1974 the company sold surplus plants in Lincoln, Nebraska and Wytheville, Virginia for \$3,993,000 and \$3,146,000 respectively, resulting in a gain of \$186,000 before taxes.

#### INTANGIBLE ASSETS

*Intangible assets resulting from acquisitions are being amortized on a straight-line basis over periods of 40 years or less.*

Amortization of intangibles amounted to \$332,000 in 1974 and \$183,000 in 1973.

#### NOTES PAYABLE TO BANKS AND BANK LOANS

The company has domestic lines of credit with a number of banks extending to various dates in fiscal 1975 totaling \$50,500,000 to provide for short-term borrowing at the prime rate. Loans amounting to \$36,000,000 at an average interest rate of 12% and \$22,000,000 at an average interest rate of 8 3/4% were outstanding at July 31, 1974 and July 31, 1973 respectively. Although usually not covered by written agreement, the company maintains compensating cash balances with

its banks, which based on 1974 averages amounted to approximately \$4,190,000.

During 1974 the company established export acceptance lines of credit with three banks totaling \$9,000,000 providing for short-term borrowing at current acceptance interest rates. These lines of credit are limited to total qualified export accounts receivable arising out of the company's export of goods to foreign dealers and subsidiaries. As of July 31, 1974, loans of \$9,000,000 were outstanding under these arrangements at an average interest rate of 12 $\frac{5}{8}$ %.

Various foreign bank lines of credit have been established for international subsidiaries totaling \$36,780,000. Loans amounting to \$24,657,000 at an average interest rate of 12 $\frac{1}{4}$ % and \$16,506,000 at an average rate of 8 $\frac{5}{8}$ % were outstanding at July 31, 1974 and July 31, 1973 respectively under these foreign arrangements. Compensating cash balance requirements during 1974 were not significant.

At the end of 1973 the company had \$6.5 million in commercial paper outstanding. None was outstanding at July 31, 1974.

Additional details of the short-term lines of credit are summarized below:

	Domestic	Export Acceptance	International
Maximum amount of aggregate borrowing at any month end during 1974	\$45,500,000	\$ 9,000,000	\$24,657,000
Approximate average aggregate borrowing throughout 1974	\$37,750,000	\$ 5,292,000	\$20,840,000
Approximate average interest rate on average aggregate borrowing	10 $\frac{1}{4}$ %	10 $\frac{1}{4}$ %	11 $\frac{5}{8}$ %

## LONG-TERM DEBT

	1974	1973
9 $\frac{3}{8}$ % debentures	\$60,000,000	\$60,000,000
4 $\frac{3}{8}$ % convertible guaranteed debentures	13,200,000	15,000,000
Other, mainly foreign	14,412,000	10,617,000
	<u>\$87,612,000</u>	<u>\$85,617,000</u>

Under the provisions of the 9 $\frac{3}{8}$ % debentures due 1995, the company is required to make annual sinking

fund payments of \$3,000,000 in cash or debentures in 1977 through 1994.

Under provisions of the 4 $\frac{3}{4}$ % convertible guaranteed debentures due 1988, 187,500 shares of the unissued common stock of the company are reserved for conversion at \$80 per share. Sinking fund payments of \$1,500,000 in cash or debentures are due 1983 through 1987 annually with the balance payable in 1988. In 1974 debentures in the aggregate principal amount of \$1,800,000 were purchased at a discount, resulting in a gain of \$587,000 before taxes.

Other long-term debt consists primarily of borrowings under an international multi-currency line of credit of \$10,000,000 against which loans amounting to \$7,968,000 and \$6,234,000 were outstanding at July 31, 1974 and July 31, 1973 respectively. The average interest rate payable on this debt is 10 $\frac{3}{4}$ %. Aggregate maturities of other long-term debt outstanding at July 31, 1974 are \$391,000 in 1975, \$302,000 in 1976, \$247,000 in 1977, \$240,000 in 1978, and \$115,000 in 1979.

## STOCK OPTIONS

*In accounting for options, no charge is made to income. The amounts received on options exercised are credited to common stock and capital in excess of par value as appropriate.*

Under the Qualified Stock Option Plan approved by the shareholders in 1968, 150,000 shares of common stock were provided for the granting of options to officers and other key employees. Options have been granted at prices equal to the fair market value on the date of the grant, and become exercisable in amounts approximating 25% of the grant on the anniversary date of the grant in each of the four succeeding years. No option is exercisable after five years from the date of the grant. On November 4, 1971, the shareholders approved a new stock option plan. No additional grants will be made under the 1968 plan and the shares remaining available for grants have been released from the reserve category.

Two hundred thousand shares were reserved for issuance under the 1971 plan which provides for the granting of both qualified and non-qualified options. Prior to January 1, 1973 both options were granted simultaneously or in tandem. The optionee with tandem options may elect to exercise either option or a combi-

nation of the two, and the number of shares purchasable under one such option reduces on a one-for-one basis the shares purchasable under the other option. Options granted after January 1, 1973, are either qualified or non-qualified options, and the purchase of shares under either option has no relation to the number of shares purchasable under other options.

The qualified stock option provisions of the 1971 Plan are substantially the same as those in the 1968 Plan. Provisions of the 1971 Plan relating to non-qualified options differ primarily in that they are exercisable for 10 years after the date of grant instead of five and can be exercised even though prior grants of qualified options remain unexercised.

Data relating to both stock option plans is shown below:

	Shares	Price Range
<b>1968 Plan</b>		
Shares under option at July 31, 1973	57,016	\$23.44-\$80.00
Options terminated	21,946	23.94- 80.00
Shares under option at July 31, 1974	35,070	23.44- 43.57
Exercisable options at July 31, 1974	30,845	23.44- 43.57
<b>1971 Plan</b>		
Shares under option at July 31, 1973	75,625	12.31- 44.06
Options granted	48,800	14.19
Options terminated	25,850	14.19- 41.00
Shares under option at July 31, 1974	98,575	12.31- 44.06
Exercisable options at July 31, 1974	20,625	12.31- 44.06
Shares available for future grants at July 31, 1974	<u>101,425</u>	

### SPECIAL EXPENSES IN 1973

The expense item of \$20,175,000 for the prior fiscal year ended July 31, 1973 is comprised of: (a) \$13,675,000 for unusual write-offs of inventory resulting from the application of a more conservative policy for determining surplus and obsolete parts and components, together with the availability of better information on inventories as a result of recent implementation of a computer-based inventory system which provides for the identification, measurement and control of obsolete and surplus parts and components; and (b) \$6,500,000 for additional provision for doubtful and uncollectable accounts receivable resulting from a statistical analysis of the accounts.

### EXTRAORDINARY CREDITS IN 1973

Extraordinary gains in the prior fiscal year ended July 31, 1973 include \$830,000 net of applicable income taxes of \$193,000 from the sale of a surplus plant in Teterboro, New Jersey and \$384,000 stemming from the February 1973 devaluation of the U.S. dollar.

### REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and  
Board of Directors,  
Addressograph Multigraph  
Corporation

In our opinion, the accompanying consolidated balance sheets and the related statements of consolidated income and retained earnings and of changes in financial position present fairly the financial position of Addressograph Multigraph Corporation and its subsidiaries at July 31, 1974 and 1973, the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied. Our examinations of these statements were made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

Cleveland, Ohio  
September 11, 1974

# Consolidated Statements of Income and Retained Earnings

FOR THE YEAR ENDED JULY 31

1974

1973

## SALES AND OTHER INCOME:

Net sales	\$417,783,000	\$375,545,000
Service billings and machine rentals	123,050,000	114,304,000
Interest, discount and other income	9,969,000	8,609,000
	<u>550,802,000</u>	<u>498,458,000</u>

## COST AND EXPENSES:

Cost of products and services sold	328,341,000	274,363,000
Branch and commission expenses	115,495,000	103,787,000
Other selling, advertising, general and administrative expenses	69,899,000	62,030,000
Research, development and engineering expenses	20,007,000	24,015,000
Interest and debt expenses	14,456,000	8,664,000
Special expenses	-	20,175,000
	<u>548,198,000</u>	<u>493,034,000</u>

INCOME BEFORE INCOME TAXES AND EXTRAORDINARY CREDITS	2,604,000	5,424,000
Provision for federal and foreign income taxes	<u>2,296,000</u>	<u>2,195,000</u>
INCOME BEFORE EXTRAORDINARY CREDITS	308,000	3,229,000
EXTRAORDINARY CREDITS	-	1,214,000
NET INCOME	<u>\$ 308,000</u>	<u>\$ 4,443,000</u>
INCOME PER SHARE OF COMMON STOCK		
Income before extraordinary credits	\$ .04	\$ .40
Extraordinary credits	-	.15
Net income	<u>\$ .04</u>	<u>\$ .55</u>

RETAINED EARNINGS AT BEGINNING OF YEAR	\$118,408,000	\$118,788,000
Net income	308,000	4,443,000
	<u>118,716,000</u>	<u>123,231,000</u>
Dividends paid—\$.45 per share (\$.60 per share in 1973)	3,617,000	4,823,000
RETAINED EARNINGS AT END OF YEAR	<u>\$115,099,000</u>	<u>\$118,408,000</u>

The Financial Review and Summary of Accounting Policies on pages 16 through 21 is an integral part of this and related financial statements.

# Consolidated Statement of Changes in Financial Position

FOR THE YEAR ENDED JULY 31

1974

1973

## WORKING CAPITAL WAS PROVIDED BY:

Income before extraordinary credits	\$ 308,000	\$ 3,229,000
Charges against net income not requiring current use of funds (principally depreciation)	<u>16,110,000</u>	<u>12,362,000</u>
From operations exclusive of extraordinary credits	<u>16,418,000</u>	<u>15,591,000</u>
Net proceeds on the sale of surplus plants	<u>7,139,000</u>	<u>830,000</u>
Gain on devaluation of U.S. dollar	-	<u>384,000</u>
Reduction in lease and installment contracts receivable, due after one year	<u>4,069,000</u>	-
Additional long-term debt	<u>6,054,000</u>	<u>4,965,000</u>
Other	<u>650,000</u>	<u>223,000</u>
Reduction of working capital	<u>12,629,000</u>	<u>22,460,000</u>
	<u><u>\$ 46,959,000</u></u>	<u><u>\$ 44,453,000</u></u>

## WORKING CAPITAL WAS USED FOR:

Plant and equipment, less retirements and sales of \$1,567,000 in 1974 and \$4,185,000 in 1973	\$ 16,626,000	\$ 16,156,000
Rental equipment, less retirements and sales of \$4,302,000 in 1974 and \$1,924,000 in 1973	<u>12,569,000</u>	<u>14,244,000</u>
Cash dividends paid	<u>3,617,000</u>	<u>4,823,000</u>
Increase in lease and installment contracts receivable, due after one year	-	<u>1,969,000</u>
Reduction of long-term debt including purchase of 4 3/4% debentures	<u>4,059,000</u>	<u>3,026,000</u>
Reclassification of prepaid income taxes from current assets to future income tax benefits	<u>10,088,000</u>	-
Cost of businesses purchased (\$5,636,000) less working capital acquired	-	<u>4,235,000</u>
	<u><u>\$ 46,959,000</u></u>	<u><u>\$ 44,453,000</u></u>

## SUMMARY OF CHANGES IN COMPONENTS OF WORKING CAPITAL:

Cash, time deposits and marketable securities	\$ (15,582,000)	\$ (13,086,000)
Accounts receivable	<u>9,936,000</u>	<u>12,642,000</u>
Inventories	<u>24,636,000</u>	<u>26,935,000</u>
Prepaid income taxes and expenses	<u>(3,464,000)</u>	<u>6,319,000</u>
Accounts payable and accrued expenses	<u>(6,937,000)</u>	<u>(9,487,000)</u>
Bank loans and current portion of long-term debt	<u>(22,062,000)</u>	<u>(43,654,000)</u>
Other	<u>844,000</u>	<u>(2,129,000)</u>
Reduction of working capital	<u><u>\$ (12,629,000)</u></u>	<u><u>\$ (22,460,000)</u></u>

# Consolidated Balance Sheet

AS OF JULY 31	1974	1973
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 3,556,000	\$ 11,177,000
Time deposits and marketable securities, at cost which approximates market value	2,431,000	10,392,000
Accounts receivable, less allowance for doubtful accounts of \$8,820,000 in 1974 and \$11,104,000 in 1973	132,750,000	122,814,000
Inventories	164,322,000	139,686,000
Prepaid income taxes and expenses	14,613,000	18,077,000
	<u>317,672,000</u>	<u>302,146,000</u>
 <b>LEASE AND INSTALLMENT CONTRACTS RECEIVABLE,</b> due after one year, less unearned finance charges		
	<u>19,328,000</u>	<u>23,397,000</u>
 <b>PLANT AND EQUIPMENT, AT COST:</b>		
Land	5,765,000	6,015,000
Buildings	67,008,000	67,457,000
Machinery and equipment	95,583,000	89,970,000
Leasehold improvements, less amortization	4,814,000	3,869,000
	<u>173,170,000</u>	<u>167,311,000</u>
Less accumulated depreciation	<u>85,516,000</u>	<u>81,014,000</u>
	<u>87,654,000</u>	<u>86,297,000</u>
 <b>RENTAL EQUIPMENT</b>		
Less accumulated depreciation	<u>27,778,000</u>	<u>27,687,000</u>
	<u>22,111,000</u>	<u>18,722,000</u>
 <b>OTHER ASSETS:</b>		
Excess of cost of businesses acquired over related net assets	5,990,000	6,312,000
Deferred charges	4,830,000	5,677,000
Future income tax benefits, less deferred income taxes of \$5,461,000	4,627,000	-
	<u>15,447,000</u>	<u>11,989,000</u>
	<u>\$462,212,000</u>	<u>\$442,551,000</u>

	1974	1973
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Notes payable and bank loans	\$ 69,657,000	\$ 47,465,000
Accounts payable	32,169,000	30,496,000
Supply and service contract obligations	24,362,000	23,700,000
Federal, state and foreign income taxes	10,195,000	11,701,000
Accrued taxes, commissions and payroll	32,125,000	26,861,000
Long-term debt due within one year	391,000	521,000
	<u>168,899,000</u>	<u>140,744,000</u>
 LONG-TERM DEBT	 <u>87,612,000</u>	 <u>85,617,000</u>
 DEFERRED INCOME TAXES	 -	 <u>5,628,000</u>
 INTERNATIONAL OPERATIONS RESERVE	 <u>1,350,000</u>	 <u>2,902,000</u>
 <b>SHAREHOLDERS' EQUITY:</b>		
Common stock, par value \$2.50		
Authorized: 15,000,000 shares	20,096,000	20,096,000
Outstanding: 8,038,589 shares in	69,156,000	69,156,000
1974 and 1973	<u>115,099,000</u>	<u>118,408,000</u>
Capital in excess of par value	204,351,000	207,660,000
Retained earnings, per accompanying statements	<u>\$462,212,000</u>	<u>\$442,551,000</u>

# Ten-year Financial Summary

(Dollars in Thousands except Per Share Figures)

FOR THE YEAR ENDED JULY 31	1974	1973	1972
<b>OPERATIONS</b>			
Sales and other income			
Net sales	\$417,783	\$375,545	\$344,822
Service billings and machine rentals	123,050	114,304	96,733
Interest, discount and other income	9,969	8,609	8,778
Total	\$550,802	\$498,458	\$450,333
Income before income taxes and extraordinary items	\$ 2,604	\$ 5,424	\$ 28,740
Net income	\$ 308	\$ 4,443†	\$ 16,649
Net income per share‡	\$ .04	\$ .55†	\$ 2.07
Net income as a percentage of sales, service billings and rentals	0.1%	0.9%	3.8%
Net income as a percentage of average invested capital	0.1%	2.1%	8.2%
<b>DIVIDENDS AND EARNINGS RETAINED</b>			
Number of shares outstanding	8,038,589	8,038,589	8,037,169
Cash dividends paid	\$ 3,617	\$ 4,823	\$ 4,823
Cash dividends paid per share	\$ .45	\$ .60	\$ .60
Earnings retained	\$ (3,309)	\$ (380)	\$ 11,826
<b>FINANCIAL POSITION AND SHAREHOLDERS' EQUITY</b>			
Working capital	\$148,773	\$161,402	\$183,862
Ratio of current assets to current liabilities	1.9 to 1	2.1 to 1	3.2 to 1
Total assets	\$462,212	\$442,551	\$388,010
Total liabilities	257,861	234,891	180,004
Shareholders' equity	\$204,351	\$207,660	\$208,006
Equity per share	\$25.42	\$25.83	\$25.88
Total long-term debt	\$ 87,612	\$ 85,617	\$ 83,415
<b>OTHER DATA</b>			
Additions to plant and equipment and rentals (net)	\$ 22,056	\$ 32,361	\$ 15,703
Depreciation—plant and equipment and rentals	\$ 17,497	\$ 14,764	\$ 13,293
Research, development and engineering expenses	\$ 20,007	\$ 24,015	\$ 21,154
Number of employees	23,300	23,500	22,700
Number of shareholders	19,400	17,400	15,400

†After extraordinary credits of \$1,214 or \$.15 per share in 1973 and extraordinary charges of \$2,587 or \$.32 per share in 1971; \$795 or \$.10 per share in 1968; and \$663 or \$.08 per share in 1967.

‡Based on the weighted average number of shares of common stock outstanding.

1971	1970	1969	1968	1967	1966	1965
\$323,547	\$337,218	\$335,715	\$305,141	\$295,868	\$275,022	\$225,041
95,586	89,772	86,470	79,175	69,524	57,284	48,106
<u>6,759</u>	<u>7,070</u>	<u>5,506</u>	<u>2,720</u>	<u>1,425</u>	<u>1,755</u>	<u>1,395</u>
\$425,892	\$434,060	\$427,691	\$387,036	\$366,817	\$334,061	\$274,542
\$ 8,789	\$ 30,284	\$ 54,026	\$ 48,102	\$ 39,967	\$ 53,009	\$ 37,853
\$ 2,399†	\$ 15,675	\$ 26,596	\$ 23,992†	\$ 19,016†	\$ 26,622	\$ 18,439
\$ .30†	\$ 1.95	\$ 3.31	\$ 2.99†	\$ 2.37†	\$ 3.33	\$ 2.31
0.6%	3.7%	6.3%	6.2%	5.2%	8.0%	6.8%
1.2%	7.9%	14.2%	13.8%	11.7%	17.6%	13.2%
8,036,994	8,036,934	8,026,251	8,025,515	8,019,861	7,992,106	7,992,106
\$ 6,431	\$ 11,243	\$ 11,236	\$ 11,231	\$ 11,218	\$ 11,189	\$ 10,390
\$ .80	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.40	\$ 1.30
\$ (4,032)	\$ 4,432	\$ 15,360	\$ 12,761	\$ 7,798	\$ 15,433	\$ 8,049
\$176,829	\$193,497	\$168,449	\$136,109	\$ 94,216	\$101,624	\$ 90,351
3.2 to 1	3.2 to 1	3.0 to 1	2.6 to 1	2.0 to 1	2.4 to 1	2.9 to 1
\$370,336	\$396,309	\$360,169	\$324,680	\$281,887	\$239,024	\$195,573
174,161	196,104	<u>164,962</u>	<u>144,839</u>	<u>115,107</u>	<u>80,233</u>	<u>52,215</u>
\$196,175	\$200,205	\$195,207	\$179,841	\$166,780	\$158,791	\$143,358
\$24.41	\$24.91	\$24.32	\$22.41	\$20.80	\$19.87	\$17.94
\$ 85,425	\$100,767	\$ 72,847	\$ 55,700	\$ 11,000	\$ 6,477	\$ 272
\$ 13,463	\$ 18,866	\$ 15,741	\$ 24,183	\$ 24,461	\$ 19,689	\$ 9,582
\$ 14,138	\$ 16,659	\$ 16,155	\$ 14,217	\$ 11,172	\$ 8,556	\$ 7,390
\$ 15,817	\$ 17,267	\$ 14,289	\$ 14,041	\$ 11,746	\$ 9,483	\$ 7,731
22,700	25,000	24,600	24,300	24,300	23,500	19,700
17,500	17,400	16,100	16,300	19,300	18,500	19,300



## DIRECTORS

Frank H. Woods, Chairman\*† President and Treasurer, Sahara Coal Company  
Raymond Q. Armington\* Chairman, The Triax Company  
Charles L. Davis\* President and Chief Executive Officer  
William R. Driver, Jr.† Partner, Brown Brothers Harriman & Company  
John S. Fangboner\*† Chairman (Retired) and Director, The National City Bank of Cleveland  
Dr. Paul E. Gray Chancellor, Massachusetts Institute of Technology  
Hugh Knowlton, Jr. † Chairman of the Executive Committee, Schieffelin & Co.  
Paul E. Priest Vice President, Finance  
Horace A. Shepard\* Chairman and Chief Executive Officer, TRW Inc.

\*Executive Committee

†Audit Committee

## CORPORATE MANAGEMENT

Charles L. Davis\* President and Chief Executive Officer  
Willard Allan\* Treasurer  
Woodrow S. Anderson\* Vice President, Marketing  
Jack B. Bredt\* Vice President, Employee Relations  
Thomas B. Clark\* Assistant Secretary  
Dr. George T. Croft Vice President, Research & Development  
Alan G. Easton Vice President, Communications  
Clarence C. Freeman\* Controller  
Sol L. Goldstein\* Assistant Secretary  
J. Richard Hadnett Assistant Controller  
Norman D. Holland Vice President, Service & Field Administration  
Joseph Kovacs\* Assistant Secretary  
Edward J. Lasko Assistant Controller  
John R. Lenox Vice President, Manufacturing  
Keith Mond\* Assistant Controller  
Robert F. Murphy\* Corporate Vice President  
Paul E. Priest\* Vice President, Finance

\*Corporate Officers

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## ACCOUNTANTS

Price Waterhouse & Co., 1900 Central National Bank Building, Cleveland, Ohio 44114

## TRANSFER AGENTS AND REGISTRARS\*

First National City Bank, 111 Wall Street, New York, New York 10015  
Bank of America, Bank of America Center, 55 Hawthorne Street, San Francisco, California 94120  
Harris Trust and Savings Bank, 111 West Monroe Street, Chicago, Illinois 60690

## DIVIDEND DISBURSING AGENT AND SHAREHOLDER RECORD KEEPING AGENT

Society National Bank of Cleveland, 127 Public Square, Cleveland, Ohio 44114

## GENERAL COUNSEL

Woods, Aitken, Smith, Greer, Overcash and Spangler, 1241 N Street, Lincoln, Nebraska 68508

## SECURITIES LISTINGS

Common Stock: New York Stock Exchange; Midwest Stock Exchange; Pacific Coast Stock Exchange. Symbol: AIN.  
9 1/2% Debentures: New York Stock Exchange. Addressograph Multigraph International Corporation, 4 3/4% Convertible  
Guaranteed Debentures: New York Stock Exchange; Luxembourg Stock Exchange.

\*Banks perform both functions in dual capacity.

# Major Divisions and Subsidiaries

## DOMESTIC

**BRUNING DIVISION** Headquarters: 1834 Walden Office Square, Schaumburg, Illinois 60172

A.T. Craft Vice President and General Manager

Products: Reproduction equipment and supplies for the drafting requirements of industry and government including a broad line of diazo copying machines; micrographic equipment and supplies for general use.

**DATA SYSTEMS DIVISION** Headquarters: 29100 Aurora Road, Solon, Ohio 44139

C.V. Meyer Vice President and General Manager

Products: Data recorders, imprinters, scanners, embossers, plastic cards and supplies; credit authorization and specialized computer access and transaction processing terminals, serving the retailing, manufacturing, petroleum, banking, health care, travel, food service and entertainment industries.

**MULTIGRAPHICS DIVISION** Headquarters: 1800 West Central Road, Mount Prospect, Illinois 60056

E.C. Bruning Vice President and General Manager

Products: Offset duplicators and total copy systems integrating the two reproduction processes, office copying machines and addressing and mail room equipment.

**SERVICES DIVISION** Headquarters: 1834 Walden Office Square, Schaumburg, Illinois 60172

N.D. Holland Vice President and General Manager

Products and Services: AM graphics machine maintenance, parts and service; business machine and general office supplies including typewriter and computer ribbons, ink and carbon paper products.

**VARTYPER DIVISION** Headquarters: 11 Mount Pleasant Avenue, East Hanover, New Jersey 07936

E.E. Hale Vice President and General Manager

Products: Machines for the composition of body copy and display type, including high-speed automated phototypesetting equipment and video editing terminals for in-plant, commercial graphic arts and publishing markets and duplicating and allied equipment for the commercial printing market.

## INTERNATIONAL

**INTERNATIONAL DIVISION** Headquarters: 363 Chaussee de Malines, 1950 Kraainem (Brussels), Belgium

K.D. Blum Vice President and General Manager

Products: All major AM products and services. Production is at 18 international locations. Sales and service are through subsidiaries in 24 countries and independent dealers in 110 key world market areas. The major subsidiaries are:

**ADDRESSOGRAPH MULTIGRAPH LTD. (Great Britain)** Hemel Hempstead, Herts, England

P.J. McCorkell Managing Director

**ADDRESSOGRAPH MULTIGRAPH OF CANADA, LTD.** Toronto, Ontario, Canada

R.C. Richards President and Managing Director

**ADDRESSOGRAPH MULTIGRAPH G.m.b.H.** Frankfurt/Main, Germany

D.E.A. Tannenberg Managing Director

# Worldwide Manufacturing, Subsidiary and Dealer Locations



## WORLD HEADQUARTERS

20600 CHAGRIN BOULEVARD, CLEVELAND, OHIO 44122

TELEPHONE: 1/216/283-3000

## DOMESTIC OPERATIONS

### PLANTS

#### BRUNING DIVISION

Schaumburg and Charleston, Illinois  
City of Industry, Menlo Park and Santa Ana, California  
Broomall, Pennsylvania  
Guilford, Connecticut

#### DATA SYSTEMS DIVISION

Holmesville, Ohio  
Hillside, New Jersey  
Guilford, Connecticut  
Santa Ana, California

#### AM SERVICES DIVISION

Cleveland, Ohio

#### MULTIGRAPHICS DIVISION

Cleveland, Ohio  
Mount Prospect, Illinois  
Lincoln, Nebraska  
Portland, Maine

#### VARIETYPER DIVISION

East Hanover, New Jersey

#### GRAPHICS SERVICE OPERATION

Mount Laurel, New Jersey  
Braintree, Massachusetts

## INTERNATIONAL OPERATIONS

### SUBSIDIARIES

Argentina	Denmark	Malaysia	South Africa
Australia	Finland	Mexico	Spain
Austria	France	Netherlands	Sweden
Belgium	Germany	New Zealand	Switzerland
Brazil	Great Britain	Puerto Rico	U.S.A.*
Canada	Japan	Singapore	Zambia

\*Addressograph Multigraph Export Corporation (Cleveland, Ohio)

### PLANTS

Australia - Melbourne  
Belgium - Liege  
Brazil - Rio de Janeiro  
Canada - Toronto (2)  
England - Aldershot  
- Hartlepool  
- Hemel Hempstead  
- Weybridge  
- Worsley  
Germany - Locherhof  
- Sprendlingen  
- St. Georgen  
Japan - Tokyo  
Mexico - Mexico City  
Netherlands - Emmen  
New Zealand - Wellington  
South Africa - Johannesburg

### DEALERS

The company also operates through independent dealers in more than 110 key areas throughout the world.

ADDRESSOGRAPH MULTIGRAPH CORPORATION  
World Headquarters, 20600 Chagrin Blvd.,  
Cleveland, Ohio 44122